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TAGS: [ECON](#) [EFIN](#) [ENRG](#) [KGHG](#) [TRGY](#) [PO](#)
SUBJECT: PORTUGAL BACKS IRENA, IBERIA LNG AND RENEWABLES

Classified By: Gary B. Applegarth, Pol-Econ Officer, Reasons 1.4 (b) and (d).

Summary

¶1. (C/NF) Portugal views the recent meeting of the International Renewable Energy Agency (IRENA) as a success and hopes the US and other large nations will join the new body. In the wake of last month's European natural gas supply disruptions the GOP continues to promote the Iberian peninsula as a possible alternative natural gas route into Europe. Portugal continues broad expansion of electricity production capacity from renewable energies and announced a major hydroelectric project to be developed over the next eight years. End summary.

International Renewable Energy Agency Meeting a Success

¶2. (SBU) Bento Morais Sarmento of the Ministry of Economy's Energy and Geology Directorate said Portugal views last month's IRENA conference as a success and he lauded the broad EU participation. Sarmento regrets that IRENA is missing "many great countries" such as the US, China, India, and Russia but he spoke hopefully of future expansion, particularly citing the need for US participation. Sarmento said Portugal is not concerned about IRENA's overlap with other international organizations, and Portugal's official conference statement acknowledged the need for IRENA to collaborate positively with other bodies, particularly the International Energy Agency.

Alternative Natural Gas Route: LNG via Iberia

¶3. (SBU) Sarmento also expanded on recent statements by National Energy Network (REN) President Jose Penedos supporting development of Iberian natural gas infrastructure as an alternative natural gas route into Europe. Portugal has one liquified natural gas (LNG) terminal at Sines and there are six LNG terminals in Spain, with a combined send-out capacity of approximately 49 billion cubic meters (bcm) per year. Additionally, Portugal has significant potential for natural gas storage using salt caverns, with capacity far in excess of Portugal's own needs, in which EU countries with less favorable geologic structures could stockpile reserve gas supplies.

¶4. (SBU) Sarmento continued, however, that there are significant hurdles to making the Iberian peninsula a viable alternative for EU natural gas supply. Pipeline interconnections to Europe would need to be reinforced, particularly those between Spain and France, and other energy grid expansions would be necessary. Reverse flow capability must also be analyzed, to enable the gas to flow from west to east. Finally, although there is significant LNG capacity in the Iberian peninsula, it is rather small compared to the approximately 120 bcm per year that has been supplied to Europe by Russia via pipelines through Ukraine.

15. (C/NF) Despite the work involved, Sarmento strongly believes this idea deserves further consideration. "Gas problems may repeat," he concluded, "gas may be used as a weapon, so that the EU cannot depend so much from eastern supplies."

Growth in Renewables

16. (U) Portugal now generates 11.3 percent of its electricity consumption from renewable sources, up from 8 percent in 2007. With this increase Portugal's production of electricity from renewables is second highest in Europe, behind Denmark with 20 percent. Interestingly, electricity imports from Spain also reached record levels, 19 percent, up from 15 percent in 2007. The increased imports were attributed to competitive pricing of Spanish energy compared to the costs of production in Portugal.

17. (U) The increase in use of renewables is a result of Portugal's comprehensive renewables development efforts. Within the last three months a major photovoltaic power plant at Moura and Europe's largest wind farm in the Viana do Castelo district both began operations, with a combined capacity of 300 MW when fully operational. A new hydropower project for the upper Tamega river was also announced in late January which will have a productive capacity of 1200 MW, approximately three percent of Portuguese electricity consumption, when it is completed in 2018. The project, to be developed by Spain's Iberdrola, will take eight years to complete and create over 3500 jobs.

18. (SBU) There has also been progress in wave and offshore

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wind energy. Professor Antonio Sarmento of the Wave Energy Center said three European Commission-funded wave energy demonstration projects will be deployed in Portuguese waters within two to three years, and REN is negotiating a contract to manage the 250 MW pilot zone near Porto that includes the world's first commercial wave installation (also inaugurated in 2008). Sarmento also said Portuguese energy giant Energias de Portugal (EDP) and other companies are exploring the construction and testing of a floating offshore wind turbine using US technology in Portuguese waters, but the details are yet to be determined.

Comment

19. (C) Leadership in renewable energies is clearly one of Portugal's flagship positions and the Prime Minister and Minister of Economy seize on every available opportunity to publicize Portuguese accomplishments. In this context Portugal's strong support for IRENA is no surprise, and it is clear that our GOP energy contacts are very hopeful that the new US administration will become more engaged in IRENA and other climate-change-friendly bodies. With a projected budget deficit exceeding three percent for 2009, the GOP's resolve to continue its ambitious renewable energy expansion will be sorely tested this year, but so far the GOP's public support has not wavered. End comment.

STEPHENSON